

<b>AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT</b>			1. CONTRACT ID CODE	PAGE 1 OF 13 PAGES
2. AMENDMENT/MODIFICATION NO. <b>M106</b>	3. EFFECTIVE DATE <b>See 16C.</b>	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)	
6. ISSUED BY <b>U.S. Department of Energy Albuquerque Operations Office Office of Management and Operating Contracts P.O. Box 5400 Albuquerque, New Mexico 87185-5400</b>		7. ADMINISTERED BY (If other than Item 6) <b>U.S. Department of Energy National Nuclear Security Administration Manager, Kansas City Site Office P.O. Box 410202 Kansas City, Missouri 64141-0202</b>		
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, state, ZIP Code)  <b>Honeywell Federal Manufacturing &amp; Technologies, LLC 2000 E. 95<sup>th</sup> Street P. O. Box 419159 Kansas City, MO 64141-6159</b>		9A. AMENDMENT OF SOLICITATION NO.		
		9B. DATED (SEE ITEM 11)		
		10A. MODIFICATION OF CONTRACT/ORDER NO.  <b>DE-AC04-01AL66850</b>		
		10B. DATED (SEE ITEM 13) <b>October 19, 2000</b>		
CODE	FACILITY CODE			

**11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS**

☐ The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation as amended, by one of the following methods:  
 (a) By completing Items 8 and 15, and returning \_\_\_\_\_ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

**13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS;  
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.**

	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO (Specify authority): THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE-NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (Such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
<b>X</b>	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: <b>Public Law 95-91 and Other Applicable Laws</b>
	D. OTHER (Specify type of modification and authority):

E. IMPORTANT: Contractor ☐ is not, ☒ is required to sign this document and return 3 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

**The purpose of this modification is to incorporate revisions to Section H – SPECIAL CONTRACT REQUIREMENTS related to the Kansas City Plant Oversight Plan.**

Except as provided herein, all terms and conditions of the document referenced in Items 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) <b>Vince L. Trim, President Honeywell Federal Manufacturing &amp; Technologies</b>		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) <b>Ralph B. Tennant II, Contracting Officer Kansas City Site Office</b>	
15B. CONTRACTOR/OFFEROR BY <u><i>V.L. Trim</i></u> (Signature of person authorized to sign)	15C. DATE SIGNED <b>10-1-07</b>	16B. UNITED STATES OF AMERICA BY <u><i>RB Tennant II</i></u> (Signature of Contracting Officer)	16C. DATE SIGNED <b>10/1/07</b>

1. The following Section H clauses are deleted in their entirety and replaced with the following.

- a. **H.1 REDEFINING THE FEDERAL/CONTRACTOR RELATIONSHIP TO IMPROVE MANAGEMENT AND PERFORMANCE**

- (a) General

The NNSA is committed to improving the effectiveness and efficiency of the Nuclear Weapons Complex. This H-1 Clause sets forth an overview of NNSA's approach to achieve this commitment. The following Contract Clauses set forth the specific Contract requirements that will provide the Contractor the flexibility to improve its management and performance. Collectively these clauses are referred to herein as "the performance improvement system."

- H.1 Redefining the Federal/Contractor Relationship to Improve Management and Performance
- H.5 Performance Direction
- H.7 Operating Requirements and Standards Management
- H.31 Use of Parent Corporate Systems, Home and Branch Office, and Other Support
- H.35 NNSA Oversight/Contractor Assurance
- H.39 Accountability
- H.40 Contractor Reinvestment of Cost Efficiencies
- H.47 Multi-Year Plant's Vision for Continuous Improvement
- H.48 Performance-Based Management
- H.49 Performance Incentives

- (b) Clarifying the Contract Relationship

To clarify the contractual relationship, NNSA will establish the work to be accomplished by the Contractor, set applicable operating requirements to be met by the Contractor, and will provide program and performance direction regarding **what** NNSA wants in each of its programs. The Contractor shall determine **how** the program is executed and shall be accountable for performance in accordance with the terms and conditions of this Contract. The Contractor will utilize its expertise and ingenuity in determining how the work is to be accomplished in the most effective and efficient manner. NNSA will issue performance direction to the Contractor only through a Contracting Officer or a designated COR. All other Federal staff and oversight components are therefore precluded from

tasking contractor personnel. The Contractor is accountable for assuring safe, secure, effective and efficient operations in accordance with the terms and conditions of this Contract.

(c) Approach to Oversight

NNSA will increase Contractor accountability as a result of implementation of the Contractor's Management Assurance System to achieve improved Contractor performance on the Contract. Parent Organization oversight shall be a key feature of the Contractor's Management Assurance System. NNSA oversight will focus on evaluating systems and performance rather than transactions. NNSA will determine the level of NNSA oversight of all Contractor activities under this Contract, consistent with the Oversight Plan, approved funding levels, and the Vision for the KCP as referenced in H.1(g). Oversight will focus on the essential outcomes of the following core requirements for the KCP: meeting product schedule; meeting product specification; cost management; asset management; and compliance to contract standards including ES&H and National Security.

(d) Empowering Contractor Expertise

The Contractor is encouraged to identify and evaluate best commercial standards and best business practices and to continuously pursue cost effective and efficient improvements in Contract performance. The contractor and its parent organization shall provide the functional leadership, core processes and policies, and best practices to be deployed under the contract. The Contractor shall use the private-sector expertise of its parent organization to improve contract performance as appropriate by maintaining and enhancing strong ties to the contractor's parent organization, the exercise of parent accountability over contract operations, and maintaining and expanding the application of corporate systems, processes and human resources to the contract.

(e) Results-Oriented, Streamlined Performance Appraisal

A results-oriented, streamlined performance appraisal process will be established with critical performance objectives, measures, and targets that focus on those areas of greatest strategic value to NNSA using systems-based metrics. Comprehensive Performance Objectives will be incorporated to reward performance in non-core functions such as administrative areas.

(f) **Reward for Achieving Cost Efficiencies**

The Contractor will be rewarded for the achievement of cost efficiencies through onsite investment of cost savings with program approval.

(g) **Achieve the Vision for the KCP**

The Contractor shall work to achieve the NNSA's vision for the KCP. The NNSA's vision as part of its "Complex Transformation" initiative is for the KCP to remain a viable part of the nuclear weapons complex by transforming the KCP mission through repositioning manufacturing operations to a more flexible and cost-effective facility, developing and executing appropriate outsourcing plans, and pursuing business operational improvements. This is intended to enable delivery of a technologically challenging and diverse range of weapons components on short notice, and within short schedules.

The NNSA also expects the Contractor to develop the Kansas City Plant into a facility that brings technologies to production for other government agencies including the Department of Defense and the Department of Homeland Security, thereby assisting in preserving the nation's manufacturing base, and offsetting the costs of maintaining the KCP for the nuclear weapons complex through growth in work for other entities. The Contractor will deploy innovative approaches to incentivizing and attracting new sources of funding and new production and engineering opportunities to the KCP.

b. **H.7 OPERATING REQUIREMENTS AND STANDARDS  
MANAGEMENT**

- (a) The Contractor shall comply with those "Operating Requirements" listed in Appendix E or directed by the Contracting Officer that include DOE directives incorporated into the contract in accordance with the Contract Clause entitled "Laws, Regulations, and DOE Directives," best-in-class commercial standards and best business practices. A current list of operational requirements shall be maintained by the Contractor as an "Operating Requirements" section of a KCP plant information system that is to be updated weekly and available to all employees and the NNSA. Revisions to the "Operating Requirements" may be made unilaterally by the Contracting Officer in accordance with Paragraph (b) of the Contract Clause entitled "Laws, Regulations, and DOE Directives," or they may be

initiated by the Contractor or NNSA through the process described in Paragraph (c) below.

- (b) The Contractor shall benchmark with industry as appropriate to identify best-in-class commercial practices and best business practices that may, when substituted for existing contractual requirements, improve site operations and cost effective performance, while effectively managing safety and security.
- (c) Operating Requirements Change Control
  - i) Definitions:
    - (A) Baseline: The baseline shall consist of the Operating Requirements. The Contractor shall maintain a record of the baseline in its Command Media.
    - (B) Change: Any directive, inspection, audit finding, informal or formal communication that if implemented by the Contractor would add or delete an element to the baseline or would alter, increase or decrease the contractor's work relating to the baseline.
  - ii) Baseline Change Control Process – The parties shall jointly develop and use the Baseline Change Control Process for evaluating and recommending Baseline changes to the Contracting Officer. The Baseline Change Control Process shall not affect the application of otherwise applicable laws and regulations of the United States, including DOE/NNSA regulations.
  - iii) Implementation: The Contracting Officer will make a final decision on the recommendations resulting from the process. For change requests that have been initiated by the Contracting Officer, the Contractor will receive a comprehensive description of Contractor requirements necessitated by the change and a date for implementation.
  - iv) Documentation: Systems shall be established for documenting all change requests, Board recommendations and decisions resulting from the process.

- v) **Contract Modification:** The contractor shall be under no obligation to respond to orders for changes to the Baseline absent a modification to this Contract. Any change to Operating Requirements approved by the Contracting Officer under this clause shall be incorporated into the Contract under Section J Appendix E.
- vi) Ordinarily no change will be made to the Baseline without first following the process identified in this Section and the associated Baseline Change Control Process. Nothing in this Clause is intended to limit the authority of the Contracting Officer to incorporate or reinstate a directive or requirement under Clause I.112, "DEAR 970.5204-2, Laws, Regulations, and DOE Directives."

c. **H.35 MANAGEMENT ASSURANCE**

- (a) "Management Assurance System" is the contractor's comprehensive approach to ensuring it is performing the scope of work of this contract. A management assurance system includes activities designed to identify deficiencies and opportunities for improvement, report deficiencies to responsible management, and ensure that corrective actions are completed and effective. An effectively working management assurance system will provide the government the opportunity to reduce oversight.
- (b) The Contractor shall implement a Management Assurance System. The Management Assurance System shall, at a minimum.
  - (1) Align with the contractor's business including major functional areas and management systems relating to the contract;
  - (2) Be generally consistent with the model that the Contractor deploys at its commercial manufacturing facilities;
  - (3) Apply the appropriate method of assurance to processes and systems including management reviews, oversight and administration, internal audits, internal independent assessments, and third-party assessments;
  - (4) Identify and rely upon performance metrics and targets to assess performance;

- (5) Provide an approach to identify performance issues and take corrective actions;
  - (6) Contain an approach to continuous improvement of performance relying on benchmarking to identify best practices as appropriate.
  - (7) The Contractor's Parent Organization oversight shall be a key feature.
- (c) The Contractor shall document the architecture for the Management Assurance System. The Management Assurance System shall be monitored by the Contractor's parent organization.
  - (d) The Contractor shall provide the NNSA with access to all elements of the Management Assurance System and visibility of its metrics; except the Contractor shall be under no obligation to disclose confidential or proprietary information generated by its parent company or affiliates. The Contractor shall notify or make visible to the Contracting Officer any modifications to the Balanced Scorecard, framework of the Management Assurance System, or to the frequency or format of NNSA forums as defined by the Management Operating Systems.

**d. H.48 PERFORMANCE-BASED MANAGEMENT**

- (a) Performance-Based Management System. This Contract is a management and operating performance-based contract, which holds the Contractor accountable for performance. This Contract uses clearly defined standards of performance consisting of performance objectives in relation to award fee and performance-based incentives and multi-site incentives as described in the Contract Clause entitled "Performance Incentives" with measures and targets for each area agreed to in advance on a fiscal year basis and incorporated into the Performance Evaluation Plan. The Parties agree to continuously improve upon these standards of appraising Contractor performance.
- (b) Performance Appraisal Process.
  - (1) Performance Evaluation Plan. A Performance Evaluation Plan shall be developed and finalized by the Contracting Officer, with Contractor input, prior to the scheduled start date of the appraisal period. The Performance Evaluation Plan will document the process and associated performance objectives, performance-based

incentives, including multi-site performance incentives and associated measures and targets by which the Contractor's performance will be evaluated and rated. The Parties will strive to reach mutual agreement on performance objectives, performance-based incentives including multi-site incentives and associated measures and targets that reflect expected business, operational and technical performance tied to key end products and NNSA/DOE strategic goals and objectives. Performance objectives will not be unduly prescriptive. Comprehensive Performance Objectives will be included to evaluate whether performance in non-core functions such as administrative areas has been at an overall at least satisfactory level. In the event the parties fail to agree on the requirements, the Contracting Officer reserves the unilateral right to make the final decision on all performance objectives and performance incentives (including the associated measures and targets) used to evaluate Contractor performance. The Performance Evaluation Plan shall be finalized:

- (i) Prior to the start of an appraisal period if the performance objectives, performance-based incentives and associated measures and targets have been mutually agreed to by the Parties; or
  - (ii) Not later than thirty days prior to the scheduled start date of the appraisal period, if the performance objectives, performance incentives and associated measures and targets have been unilaterally established by the Contracting Officer.
- (2) Revisions. Only the Contracting Officer may revise the Performance Evaluation Plan, consistent with the Contract Statement of Work, during the appraisal period of performance. The Contracting Officer will notify the Contractor:
- (i) Of such bilateral changes at least sixty calendar days prior to the end of the affected appraisal period;
  - (ii) Of such unilateral changes at least ninety calendar days prior to the end of the affected appraisal period and at least thirty calendar days prior to the effective date of the change; or



- (iii) If such change, whether unilateral or bilateral, is urgent and high priority, at least thirty calendar days prior to the end of the appraisal period.
- (3) Contractor Appraisal Self-Assessment Report. A comprehensive and objective annual self-assessment report including both positive and negative aspects of performance will be prepared if required by the Contracting Officer by the Contractor of its performance against the performance objectives and performance-based incentives contained in the Performance Evaluation Plan and other significant factors as determined by the Contractor and Contracting Officer. The self-assessment report, if required, shall be submitted within five-days after the end of the appraisal period. The Contracting Officer will identify the structure and medium to be used by the Contractor in delivering its annual self-assessment.
- (c) Schedule for Performance Incentive Fee earned determination.

The Contracting Officer shall issue the Fee Determination Official's final total available fee amount earned determination in accordance with the schedule set forth in the Performance Evaluation Plan or as otherwise set forth in this contract. However, a determination must be made within sixty calendar days after the receipt by the Contracting Officer of the Contractor's self-assessment (if required by the Contracting Officer) or seventy calendar days after the end of the evaluation period, whichever is later, or a longer period if the Contractor and Contracting Officer agree. If the Contracting Officer evaluates the Contractor's performance of specific requirements on their completion, the payment of any earned fee amount must be made within seventy calendar days (or such other time period as mutually agreed to between the Contracting Officer and the Contractor) after such completion. If the determination is delayed beyond that date, the Contractor shall be entitled to interest on the determined total available fee amount earned at the rate established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (*41 U.S.C. 611*) that is in effect on the payment date. This rate is referred to as the "Renegotiation Board Interest Rate," and is published in the Federal Register semiannually on or about January 1 and July 1. The interest on any late total available fee amount earned determination will accrue daily and be compounded in 30-day increments inclusive from the first day after the schedule determination date through the actual date the determination is issued. That is, interest accrued at the end of any 30-day period will be

added to the determined amount of fee earned and be subject to interest if not paid in the succeeding 30-day period.

e. **H.49 PERFORMANCE INCENTIVES**

(a) **Performance Incentives Negotiations**

The Parties shall establish the specific Performance Incentives that the Contractor will be assessed against for fee determination in accordance with the Contract Clause entitled "Performance-Based Management." Performance Incentives can take the form of Award Fee Performance Objectives (POs), Comprehensive Performance Objectives (CPOs) or Performance-Based Incentives (PBIs).

(b) **Determination of Performance Incentives**

- (1) The NNSA will, at the conclusion of each specified appraisal period, evaluate the Contractor's performance for all Performance Incentive requirements. Performance factors will be evaluated in the aggregate.
- (2) The Performance Incentive fee determination will be made in accordance with the Performance Evaluation Plan. The determination as to the amount of Performance Incentive fee earned is a unilateral determination made by the Fee Determination Official (FDO).
- (3) The Contractor will be promptly advised in writing of the amount and the basis of the Performance Incentive fee determination.
- (4) Performance Incentive fee not earned during the evaluation period shall not be allocated to future evaluation periods.

- (c) **Fee.** The maximum fees allocated for payments to the Contractor for the performance of the work under this Contract, other than those provided in paragraph (d) below, are set forth in Part I, Section B, of the Schedule. The Performance Incentives fee earned is available for payment in accordance with the Contract Clause entitled "Payments and Advances." There shall be no adjustment in the amount of the Contractor's fee by reason of differences between any estimate of cost for performance of the work under this Contract and the actual cost of performance of that work.

- (d) **Fixed Fee for Work For Others.** The Government and the Contractor recognize the value of expanding Work For Others (WFO) programs to achieve the KCP's vision of becoming a national security asset and to offset NNSA overhead costs for the KCP. The parties agree to the following fee structure for WFO programs for government agencies other than NNSA and for non-federal entities. The Contractor shall assure the Contracting Officer that its accounting system is adequate for determining costs applicable to separate non-traditional WFO projects, which system will be subject to audit and review by the Government.

- (1) *General.* The Government will pay the Contractor for performing non-traditional WFO an incentive fee based on the annual total actual billed costs as provided below.

- (2) *WFO Total costs and maximum fee.*

- (i) "Total Cost" means the actual billed costs of completing non-traditional WFO projects
- (ii) "Maximum Fee" for non-traditional WFO projects means a percentage of the total cost, as determined in (3) below:

- (3) The earned fee will be calculated as described below:

The maximum amount of fee an M&O Contractor can earn is 7% of the total estimated costs for the fiscal year. The NNSA will determine the exact percentage to be applied at each site. Once that available fee percentage is determined for the KCP, 85% of that rate will be used to determine the available WFO fee percentage. Therefore, for every dollar the Contractor spends on WFO as applied to this fee category, the Contractor will earn fee at the rate of the total available fee percentage x 85%.

- (4) Fee earned pursuant to this provision shall be subject to Clause I.117, DEAR 970.5215-3, [Conditional Payment of Fee, Profit, or Incentives (DEC 2000) (Modified)], but otherwise shall not be subject to reduction under any other provision of the contract.

2. The following Section H clause is added. H.35 NNSA OVERSIGHT/MANAGEMENT ASSURANCE is now divided into two clauses. H.35 is now titled MANAGEMENT

ASSURANCE. The remaining portions of H.35 are now moved to a new clause number (H.51) and edited as follows.

a. **H.51 NNSA OVERSIGHT**

- (a) As used in this clause, "NNSA oversight" encompasses activities performed by NNSA organizations to determine the effectiveness of contractor performance of the Scope of Work. Oversight includes onsite reviews, assessments, performance evaluations, and other activities.
- (b) NNSA oversight - NNSA will determine the level of NNSA oversight of all Contractor activities under this Contract, consistent with the Oversight Plan, approved funding levels, and the Vision for the KCP as referenced in H.1(g). NNSA will apply its oversight of the Contractor consistent with the contractor's management systems, the risk level of the work processes, the contractor's performance, and the effectiveness of the Management Assurance System. The Contracting Officer will seek input from the contractor on the appropriate type and level of effort of oversight for management systems and processes. The oversight mechanisms will be documented by NNSA, linked to the Management Assurance System and subject to modification. In general, NNSA oversight will be consistent with the following concepts:
  - (1) There will be less oversight in areas subject to well-recognized, independent third party assessments, when the third party assessments find that the contractor systems are performing adequately.
  - (2) The level of oversight will take into account whether areas are directly related to critical outcomes of the mission of the Kansas City Plant, or areas that are not central to the core mission such as administrative support functions.
  - (3) Oversight will not unduly interfere with contractor efforts to implement industrial standards and/or best commercial practices.
  - (4) Oversight is subject to increase in areas where performance deficiencies exist. However, prior to increasing oversight, the Contracting Officer will consider whether contractor corrective action plans provide sufficient assurance.

- (c) In addition to the rights and remedies provided to the Government under other provisions of the Contract, the Contractor shall fully cooperate with the NNSA oversight personnel and subject matter experts in the performance of their assigned oversight functions, and shall provide complete access to facilities, information and Contractor personnel.
- (d) The Contractor shall continue to be subject to the oversight of independent oversight functions authorized by the Secretary of Energy in the performance of their duties such as the Office of Security and Safety Performance Assurance or the Office of the Inspector General. The Contractor shall not comply with a finding, opinion, or directive of an Independent Oversight Function absent direction from the Contracting Officer.